

Assess reasons



Assess the reasons why Thatcher's economic policies were controversial

There is little which unites Thatcher's passionate supporters, and equally passionate critics. However, both camps would agree that she was, without question, one of the most controversial prime ministers the UK has seen, and her economic policies were at the heart of that controversy. She instituted an economic revolution in the KICK, bringing the post-war consensus to a crashing halt, and replacing it with a free-market ideology which remains in place today.

So there is surprisingly little controversy over whether she was successful in implementing her policies, but rather the controversy is whether her economic policy successes were either necessary or desirable. There is no answer to this conundrum, as any answer must be dependent upon the values of the beholder. All of her individual policies, such as monetarism, prevarication, and trade union reform, generated their own controversies, but perhaps the greatest controversy was over the sort of nation which those reforms created.

The first, and perhaps most controversial, economic policy Thatcher imposed was monetarism. This theory, described as "crazy" by revisionist Tory Chancellor, Reginald Maudlin, envisaged controlling inflation through restricting the money supply, and Thatcher moved quickly in her first term to implement it, through a squeeze on public spending and an increase in interest rates to a high of 17% to restrict borrowing. The first controversy was whether monetarism even worked. Supporters argued that it was responsible for bringing inflation down from 19% in 1979, to 5% in 1983.

Opponents, on the other hand, argued that this had more to do with the descent of the UK economy into recession during Thatcher's first term, and a crease in the price of oil following the Iranian revolution in 1979. Perhaps a clue as to the correct answer can be found in Thatcher's quiet abandonment of any attempts to control the money supply early in her second term. Nevertheless, almost irrespective of whether monetarism directly lowered inflation, what is not in dispute is that it did cause a rapid growth in unemployment, from 5.7% in 1979 to 13% in 1982.

As unemployment topped 13%, higher than at any time since the great depression of the 1930s, riots broke out in major cities, with particularly severe violence in Tottenham and Brixton. The depth of the controversy over the economic choices Thatcher was making can be illustrated not only by burning barricades in the inner cities, but also by the arguments within her own Cabinet, with the "wets", led by Jim Prior, urging her to change course. Ultimately, the most significant controversy over monetarism was that all governments since the war had seen the maintenance of full employment as their primary economic policy goal.

Thatcher saw unemployment, even mass unemployment, as a price worth paying for controlling inflation, which she saw as a greater evil. The fact that monetarism inspired riots, furious public opposition, and internal dissent, might imply that it was the most controversial of her economic policies. Nevertheless, even after the abandonment of monetarism, Thatcher's next flagship economic policy was to inspire yet more controversy: the crushing of the trade unions.

Thatcher saw the Unions as "the enemy within", and blamed them for the defeat of the last Conservative government in 1974. Again breaking with the post-war consensus, she saw trade unions not as partners to work as part of a troika with Government and employers, but as implacable foes of the free-market. She gambled that the Winter of Discontent had undermined support for unions, and set out to destroy their influence. First she passed three Employment Acts in 1980, 1982 and 1984, and then she defeated both the miners and the print-workers in their respective strikes.

Even her opponents would concede that she was extremely successful in achieving her goals, as union membership fell from 50% of the workforce in 1979 to less than 35% in 1990, while strike days lost fell from 29. Mm in 1979 to 1 -mm in 1990. However, it was those goals which were controversial, and again, that controversy was based on different views of what a Government's priority should be. Other post-War Governments had accepted the concept that improving terms and conditions, and seeking to obtain increases in real wages for employees, was a desirable goal.

Thatcher and her supporters, however, took the view that such aims were impediments to the functioning of a free-market, in which employers could only compete effectively if they had the right to hire and fire at will, and if employees could be forced to accept lower wages and less secure terms and conditions. If previous Governments had seen their role as a neutral arbiter between workers and managers, Thatcher placed the government very firmly behind managers and owners of businesses, while arguing that this was also in the interests of employees.

At the time, the controversy centered on the immediate struggles of the Miners' Strike and the Yapping Dispute, with whole communities in mining areas laid waste. However, perhaps the real controversy is over the impact of the policy in the longer term. Thatcher's supporters argue that breaking the unions led to more efficient businesses, better able to compete in the global marketplace, and point to such evidence as an increase in growth rates from an average of 1. % in the period 1950-79, to 2. 1% in 1979-90. The opposing argument, however, is that while the GAP of the UK rose by 108% in the thirty years after Thatcher's election, the proportion of GAP paid in wages has declined from 65% to less than 50%, with a far higher proportion of GAP going to the wealthiest in society through non-wage income such as dividends and bonuses.